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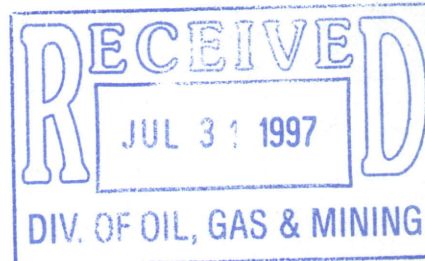
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North Lily Mining Company

July 26, 1997

Dennis Frederick, P.E.
Ground Water Protection Section
State of Utah
Division of Water Quality
288 North 1460 West
P.O. Box 144870
Salt Lake City, Utah 84114-4780



Subject: Propose Draft Silver City Heap Leach Closure Permit No. UGW230001

Dear Dennis:

North Lily has reviewed the propose draft of the Silver City Heap Leach Closure Permit No. UGW230001 and finds that it in general covers the items discussed and agreed upon in the past.

In the Addendum to Statement of Basis dated June 20, 1997 active leaching of ore was terminated in December of 1993 (this was the last date in which cyanide was added to solutions going to the pad). A carbon column plant was installed in the system in 1994 and operated through October of 1995 to recover precious metals, break down complex compounds and wad cyanide.

In the Ground Water Quality Discharge Permit the location of Silver City Heap Leach is Latitude 112°8'30" North, Longitude 39°50'00" West.

The permit and the authorization to operate will expire at midnight on July 30, 2002. It is North Lily's understanding that the term "expires" means that, at that date DWQ will review the permit and if North Lily is in compliance and meeting the terms and condition of the permit DWQ will either renew the permit or may not require the permit to be renewed if the project is deemed environmentally acceptable.

Thank you for your cooperation.

Sincerely,

Paul C. Spor
General Manager

cc: Roger A. Foisy, Division of Water Quality, Central Utah District
Tom Munson, Division of Oil, Gas, and Mining
Tom Gast, Environmental Management Services

0010